From: John Robertson [jrobertson@alaskapacificbank.com]
Sent: Wednesday, June 08, 2005 6:50 PM
To: Comments, Regs
Subject: Fw: No. 2005-14, Change in Risk Classification of Commercial Credit Exposures

Resend to proper URL.

----- Original Message -----
From: John Robertson
To: regs.comments@ots.gov
Cc: Craig Dahl ; lcorrigan@alaskapacificbank.com ; Roger White
Sent: Wednesday, June 08, 2005 2:39 PM
Subject: No. 2005-14, Change in Risk Classification of Commercial Credit Exposures

Pursuant to the request for comments on the proposed change, it would be our position not to change to the two-dimensional framework, for the following reasons:

1. We are a small thrift with an emerging commercial portfolio, yet our delinquencies are only averaging approximately .50% of total loans by dollar amount.

2. Our typical chargeoffs are non-commercial loans, such as recreational boat loans, or single family residential loans.

3. Our only commercial loan with a specific reserve is technically on non-accrual; however, it is fully performing and current.

4. Predicting default is very difficult in the small universe of commercial loans we have.

5. Most of our loans are collateralized; the condition and age of the assets underlying the loans have more to do with loss-upon-default than any market conditions or structural issues.

6. We would--and do--look at rating facilities rather than borrowers, but most of our commercial loans are guaranteed, and the guarantor analysis is almost as important as the borrower analysis.

7. We have recently instituted a "Watchlist" loan class that should capture some of the deteriorating credits before they become criticized assets.

8. Impairment analysis generally captures the likelihood of chargeoff upon default and/or foreclosure.

9. Predicting probabilities of default and loss-upon-default would be inherently subjective in our market, and we do not believe it is worth the expense to purchase a sophisticated quantitative model which looks at credit characteristics and computes default/loss probabilities.

I understand the need for financial institutions to be more rigorous about forecasting default and loss, to the extent they are able to. However, this need should be taken in the context of the size of the institution, the market it serves, and its credit performance history before instituting a "one size fits all" remedy for the process.

Thank you for the opportunity to provide our comments.

Sincerely,

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